

BANK INDONESIA REGULATION
NUMBER 10/29/PBI/2008
CONCERNING
INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANK

WITH THE BLESSING OF GOD ALMIGHTY

THE GOVERNOR OF BANK INDONESIA

- Considering:
- a. that to support the smooth functioning of payment system in Indonesia, Bank Indonesia has implemented a Bank Indonesia - Real Time Gross Settlement System (BI – RTGS System) and Bank Indonesia national clearing system;
 - b. that to avoid gridlock in payment system in this BI-RTGS system, which may jeopardize the financial system stability, Bank Indonesia may provide Intraday Liquidity Facility for Commercial Bank as BI-RTGS System participant;
 - c. that to anticipate the possibility of Bank failure in fulfilling its obligation as a participant in Bank Indonesia national clearing system, besides for the objective as referred to in letter b, the provision of Intraday Liquidity Facility also meant for final settlement of debit clearing to Commercial Bank;
 - d. that based on the considerations as referred to in letter a, letter b, and letter c, it is considered necessary to re-regulate the stipulations on Intraday Liquidity Facility for Commercial Bank in a Bank Indonesia Regulation.

In view of ...

- In view of
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to State Gazette of the Republic of Indonesia Number 3472), as amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);
 2. Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to State Gazette of the Republic of Indonesia Number 3843), as last amended by Government Regulation Substituting Act Number 2 of 2008 (State Gazette of the Republic of Indonesia Number 142 of 2004, Supplement to State Gazette of the Republic of Indonesia Number 4901);
 3. Bank Indonesia Regulation Number 10/6/PBI/2008 concerning Bank Indonesia - Real Time Gross Settlement System (State Gazette of the Republic of Indonesia Number 32 of 2008, Supplement to State Gazette of the Republic of Indonesia Number 4820);
 4. Bank Indonesia Regulation Number 7/18/PBI/2005 concerning Bank Indonesia National Clearing System (State Gazette of the Republic of Indonesia Number 65 of 2005, Supplement to State Gazette of the Republic of Indonesia Number 4516);

HAS DECREED

To enact ...

To enact **BANK INDONESIA REGULATION CONCERNING INTRADAY
LIQUIDITY FACILITY FOR COMMERCIAL BANK**

Article 1

The terminology used in this Bank Indonesia Regulation has the following meaning:

1. Bank is a Commercial Bank as defined in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998 which is performing conventional business activities.
2. Bank Indonesia - Real Time Gross Settlement System hereinafter referred to as BI-RTGS System is a fund transfer system as referred to in Bank Indonesia Regulation concerning Bank Indonesia - Real Time Gross Settlement System.
3. Bank Indonesia - Scripless Securities Settlement System hereinafter referred to as BI-SSSS is a transaction means with Bank Indonesia including its administration and the electronic administration of securities as referred to in Bank Indonesia stipulations concerning Bank Indonesia - Scripless Securities Settlement System.
4. Bank Indonesia National Clearing System hereinafter referred to as SKNBI is a clearing system organized by Bank Indonesia as referred to in Bank Indonesia stipulations which regulate Bank Indonesia national clearing system.
5. Debit Clearing is an activity within SKNBI for debit transfer as referred to in Bank Indonesia stipulations which regulate Bank Indonesia national clearing system.
6. Intraday Liquidity Facility hereinafter referred to as FLI is fund provision by Bank Indonesia to Bank in the Bank status as a participant in BI-RTGS system and a participant of SKNBI, which is executed by way of repurchase agreement (repo) of securities which is to be finalize on same day with the day of use.

7. FLI ...

7. FLI in the framework of RTGS, hereinafter referred to as FLI-RTGS is FLI to overcome liquidity problems of Bank which occurred during operational hours of BI-RTGS System.
8. FLI in the framework of Clearing, hereinafter referred to as FLI-Kliring is FLI to overcome liquidity problems of Bank which occurred during final settlement on Debit Clearing outcome.
9. Bank Indonesia Certificate, hereinafter referred to as SBI is securities in Rupiah currency issued by Bank Indonesia as recognition of debt for short term maturity.
10. Government Bond, hereinafter referred to as SUN are securities in the form of debt acknowledgment issued by the Government of the Republic of Indonesia as referred to in Act Number 24 of 2002 concerning Government Bond.

Article 2

- (1) Bank may obtain FLI, either in the form of FLI-RTGS or FLI-Kliring, after the signing of Agreement for FLI Use and to submit the supporting documents required to Bank Indonesia.
- (2) Bank may use FLI as referred to in paragraph (1) when meeting the following requirements:
 - a. possessing securities which may be repoed to Bank Indonesia in the form of SBI and/or SUN;
 - b. not being suspended as participant Bank of BI-RTGS and/or terminated as

participant ...

- participant Bank of clearing system; and
- c. being an active participant of BI-SSSS.

Article 3

Bank Indonesia has the power to reject or to stop the use of FLI in the event Bank is no longer meeting the requirements as referred to in Article 2 paragraph (2) letter a, letter b, and letter c.

Article 4

- (1) Implementation of repo on securities as referred to in Article 2 paragraph (2) letter a in the framework of using FLI-RTGS and/or is to be executed through BI-SSSS regulated as follows:
 - a. For FLI-RTGS, Bank has to transfer the securities to the account of FLI-RTGS during the operational hours of BI-RTGS System when Bank is in a consideration that there is a FLI need (self assessment) for the smooth functioning of transaction in BI-RTGS System; and
 - b. For FLI-Kliring, Bank has to transfer the securities to the account of FLI-Kliring in BI-SSSS in the framework of prefund provision as regulated in Bank Indonesia stipulations which regulate Bank Indonesia national clearing system.
- (2) The securities which has been transferred to the account of FLI-Kliring as referred to in paragraph (1) letter b may not be used for FLI-RTGS.

Article 5

- (1) The...

- (1) The calculation on SBI selling value and SUN market value used by Bank in the framework of FLI is subject to prevailing stipulations of Bank Indonesia on repo transaction with Bank Indonesia in secondary market.
- (2) Maximum value of FLI which may be used by Bank is the same as the securities value as referred to in paragraph (1) which has been transferred by Bank to the accounts of FLI-RTGS and FLI-Kliring in BI-SSSS.

Article 6

- (1) The use of FLI-RTGS is to be executed automatically when the balance of Rupiah demand deposit account of Bank in Bank Indonesia is insufficient for making outgoing transaction.
- (2) The use of FLI-Kliring is to be executed automatically when the balance of Rupiah demand deposit account of Bank in Bank Indonesia is insufficient to cover the obligations of Bank on final settlement of Debit Clearing.
- (3) The use of FLI-RTGS and FLI-Kliring as referred to in paragraph (1) and paragraph (2) is respectively performed based on the sufficiency of securities value for FLI available in the accounts of FLI-RTGS and FLI-Kliring.
- (4) In the event the value of securities for FLI-Kliring is insufficient to cover the obligations of Debit Clearing final settlement as referred to in paragraph (2) and paragraph (3) then the value of securities for FLI-RTGS available in FLI-RTGS account is automatically be used to cover the obligations of Debit Clearing final settlement.

Article 7

Bank ...

Bank Indonesia may limit the types of transaction permitted to use FLI.

Article 8

Bank Indonesia may impose Bank with fees on the use of FLI and/or other fees to the use of FLI.

Article 9

- (1) The FLI finalization is to be executed automatically by BI-RTGS System for every incoming transaction which credit the Rupiah demand deposit account of relevant Bank in Bank Indonesia until the deadline of FLI finalization.
- (2) Bank is obliged to finalize FLI up to the deadline determined by Bank Indonesia.
- (3) In the event Bank is unable to finalize the use of FLI until the determined deadline then the value of FLI which is unfinalized is to be put into effect as repo transaction with Bank Indonesia for a maturity of 1 (one) day.

Article 10

- (1) Bank may re-transfer the securities from FLI-RTGS and FLI-Kliring account to trading account in BI-SSSS in case of:
 - a. FLI has been finalized as referred to in Article 9 paragraph (1);
 - b. securities which have been transferred to FLI-RTGS account are not being used for FLI.
- (2) Re-transferring of securities from FLI-Kliring account to trading account as referred to in paragraph (1) for the interest of FLI-Kliring is subject to the stipulations of Bank Indonesia which regulates Bank Indonesia national clearing system.

Article 11 ...

Article 11

In the event FLI is put into effect as repo transaction with Bank Indonesia as referred to in Article 9 paragraph (3) Bank is subject to prevailing Bank Indonesia stipulations concerning repo transaction with Bank Indonesia in secondary market.

Article 12

In the event Bank is unable to finalize FLI due to the failure of BI-RTGS and/or BI-SSSS System, the finalization of FLI shall be automatically executed when there shall be incoming transaction right after BI-RTGS and/or BI-SSSS System is re-functioning.

Article 13

Bank which during the validity of this Bank Indonesia Regulation has signed the Agreement for FLI Use and its Collateral is to replace it with FLI Use Agreement as regulated in Bank Indonesia Circular Letter.

Article 14

Bank as a clearing participant located in Clearing area which has no SKNBI application may use FLI-RTGS for clearing final settlement occurred before cut-off warning of BI-RTGS System.

Article 15

Further stipulations concerning FLI shall be regulated with Bank Indonesia Circular Letter.

Article 16 ...

Article 16

By the putting into force of this Bank Indonesia Regulation, Bank Indonesia Regulation Number 7/22/PBI/2005 dated 3rd August 2005 concerning Intraday Liquidity Facility for Commercial Bank is revoked and declared no longer valid.

Article 17

This Bank Indonesia Regulation shall become effective on 14th November 2008.

For the public to be informed, it is ordered that this Bank Indonesia Regulation be promulgated in the State Gazette of the Republic of Indonesia.

Enacted in Jakarta

Dated 14th November 2008

THE GOVERNOR OF BANK INDONESIA

BOEDIONO

Promulgated in Jakarta

Dated 14th November 2008

MINISTER OF JUSTICE AND HUMAN RIGHTS

REPUBLIC OF INDONESIA

ANDI MATTALATA

STATE GAZETTE OF THE REPUBLIC OF INDONESIA OF 2008 NUMBER 174
DPM, DASP

ELUCIDATION ON
BANK INDONESIA REGULATION
NUMBER: 10/29/PBI/2008
CONCERNING
INTRADAY LIQUIDITY FACILITY FOR COMMERCIAL BANK

GENERAL REVIEW

In business activity, Bank is often experiencing short term liquidity problem caused by mismatch between incoming flow and outgoing flow. With the validity of transaction settlement through Bank Indonesia - Real Time Gross Settlement (BI-RTGS) system where payment transactions are finalized one by one in real time, Bank is very much possible experiencing liquidity problem in a very short period. The liquidity problem as the reason of mismatch between time and or transaction value of outgoing transaction and incoming transaction. In case the problem of Bank or several Banks are not to be overcome immediately, it is afraid it shall cause gridlock in payments which may disturb the smooth functioning of payments which finally may create instability in financial system as a whole.

In order to overcome the payment gridlock stated above Bank Indonesia is to provide funding facility for a very short maturity during the operational hours of BI-RTGS in the form of Intraday Liquidity Facility (FLI) for Commercial Bank which is obliged to be finalized by Bank at the end of the same day.

Besides the FLI provision to overcome gridlock in BI-RTGS System, the FLI provision also required to overcome obligations arisen to make final settlement of debit clearing guaranteed by Bank Indonesia as the operator of clearing system. Related to the above mentioned, Bank Indonesia considered it is necessary to apply a policy which makes the participants in debit clearing are obliged to provide prefund in the form of cash and or collateral at the beginning of the day before debit clearing be started. Related to the provision of initial deposit in the form of securities, the mechanism of provision, use and ...

and settlement shall be granted in the form of Intraday Liquidity Facility in particular clearing as Intraday Liquidity Facility which has been provided before by Bank Indonesia for BI-RTGS System transaction.

The provision of this FLI is in line with the duty implementation of Bank Indonesia to maintain the smooth functioning of payment system as determined in Article 15 Act Number 23 of 1999 concerning Bank Indonesia as lastly amended with the Government Regulation Substituting Act Number 2 of 2008.

The submission of FLI and the administration of securities in the framework of FLI submission has been using Bank Indonesia - Scripless Securities Settlement System (BI-SSSS) means which is directly connected to BI-RTGS System. By using BI-SSSS means it is expected it may speed up the process of FLI submission and to minimizing settlement risk.

ARTICLE BY ARTICLE

Article 1

Self-Explanatory

Article 2

Paragraph (1)

The supporting documents to be inserted among others are photocopy of Bank Statutes or Power of Attorney of Bank branch office which head office is domiciled overseas, copies of which have been stated as true copy by Bank.

Paragraph (2)

Letter a

Self-explanatory

Letter b

The criteria on sanction imposition of suspension is subject to the

Regulation ...

Regulation of Bank Indonesia concerning prevailing Bank Indonesia Real Time Gross Settlement and/or Bank Indonesia Regulation concerning Bank Indonesia National Clearing System.

Letter c

What is meant by active criteria is as referred to in Bank Indonesia Regulation concerning Bank Indonesia - Scripless Securities Settlement System.

Article 3

Self-explanatory

Article 4

Paragraph (1)

Letter a

Self-explanatory

Letter b

What is meant by prefund is the provision of fund and/or securities by Bank of SKNBI participant on the beginning of day before debit clearing activities be started.

Paragraph (2)

Self-explanatory

Article 5

Paragraph (1)

Self-explanatory

Paragraph (2)

Self-explanatory

Article 6 ...

Article 6

Paragraph (1)

The use of FLI-RTGS automatically means the value of securities which are repoed and are executed by Bank are directly used to cover insufficient balance of Rupiah demand deposit account in Bank Indonesia.

Paragraph (2)

Self-explanatory.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory.

Article 7

Self-explanatory.

Article 8

The amount of fee for FLI use and other fees related to the use of FLI shall be determined in a Bank Indonesia Circular Letter.

Article 9

Paragraph (1)

As long as Bank is still using FLI then BI-RTGS System is automatically use the fund originated from incoming transaction to settle said FLI in advance.

The process of FLI using and finalization is continuously running until the deadline of FLI finalization.

Paragraph (2)

Self-explanatory.

Paragraph (3) ...

Paragraph (3)

Self-explanatory.

Article 10

Self-explanatory.

Article 11

Self-explanatory.

Article 12

What is meant by failure of BI-RTGS System is the failure of RTGS Central Computer (RCC), so all Participant Banks of BI-RTGS and/or Bank Indonesia shall not be able to send transactions from the terminal of RTGS (RT) to RCC.

Hindrance on one of or several RT and/or hindrance in RTGS network which caused one or several BI-RTGS Participant Banks shall not be able to send transaction to RCC, is not to be considered as BI-RTGS System failure.

What is meant by the failure of BI-SSSS System is the failure of System Central Computer (SCC) in BI-SSSS means so all Banks and/or Bank Indonesia shall not be able to send transactions from terminal (System Terminal/ST) to SCC.

Article 13

Self-explanatory.

Article 14

Self-explanatory.

Article 15

The principles of stipulations which shall be regulated in BI Circular Letter are
among others: ...

among others:

1. Procedures of submission of FLI Use Agreement;
2. Deadline of use and settlement of FLI;
3. Procedures of securities transfer from trading account to the accounts of FLI-RTGS and FLI-Kliring vice versa;
4. Procedures of calculation and fee imposition on the use of FLI and/or other fees related of the use of FLI.

Article 16

Self-explanatory.

Article 17

Self-explanatory.

